

## Any green shoots wither in Spain as jobless figures rise

Fears rise for the country's stability as unemployment reaches a 40-year high. Alasdair Fotheringham reports from Granada

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High above the Andalusian city of Granada in the mountain village of Altos de la Zubia lies a network of some 10km of perfectly tarmacked roads, roundabouts, street lights, pedestrian crossings and playgrounds. Just one thing is missing from this gigantic housing estate: houses.

Rather than pavements, the pedestrian crossings run into masses of tumbleweed; the swings and slides are rusting; the roundabout spurs lead nowhere. Perhaps 5 per cent of the building plots have dwellings – the rest is bare earth. The silence is deafening.

On the opposite side of the Granada valley, gleaming in the Andalusian sunshine, are the service roads of a huge industrial estate. But there are no buildings beside them.

These sprawling roads to nowhere are like high tide marks from Spain's economic heyday of the early Noughties. But then it all started to go terribly wrong – and the country's workforce is paying the price.

As Spain has plunged into its worst economic crisis since the 1950s, unemployment has rocketed by nearly two million in two years – and last week it passed the landmark total of four million. That's 18.8 per cent of Spain's workforce, the worst figures since records began in 1964, the highest jobless total in Western Europe, and second only to Latvia in the entire continent.

The latest figures still have the power to shock, and last week the Spanish government, already accused of poor economic policies by an estimated seven out of 10 Spanish businesses, has taken the brunt of the blame amid that fears that it is the next country after Greece facing default on its debt.

Under a photo of Finance and Economy Minister Elena Salgado, in Spain's most influential newspaper *El País*, the headlines thundered: "She's got four million, three hundred and twenty six thousand, five hundred problems to solve." And she may have more.

An estimated 44 per cent of Spanish business will shed workers before July and one government minister has admitted 20 per cent unemployment is now possible. The once incredible spectre of five million unemployed is nearly a reality.

With more than a million – 26.3 per cent of the workforce – in its dole queues, Andalusia has the dubious honour of being the region in mainland Spain with the highest level of unemployment. However, its difficulties would sound familiar to almost any Spaniard.

"Andalusia's main economic motors were service industries and construction," says Granada-based financial consultant Julio Alvarez. "But the building industry, here and throughout Spain, is facing total meltdown."

"Since 2008, 50 or 60 per cent of my work comes from the courts, concerning businesses going into administration – 90 per cent construction companies. New technology companies are the least affected overall, but there are no green shoots. Not in Andalusia."

The facts back up Alvarez's dramatic claim: while new requests for planning permission in Granada have plunged to 1960s levels, since 2007 unemployment has tripled.

Construction has been the worst hit: in 2009, the number of workers in Granada's building sector dropped from 42,800 to 26,100. As for Spain in general, 970,000 building workers have lost their jobs since late 2007, just below 50 per cent of the total unemployment increase.

"I've made 80 job applications since being made redundant in December 2008," says Granada-based architectural technician Miguel Reyes Aguado, "but there have been no answers. I'm not the only one with this problem, it's all fathers on the school run each morning, too. "There are a few job offers in Madrid, but at rates they paid in Granada 12 years ago."

Miguel and his wife Louise, who also recently lost her job, want to emigrate to the UK or Canada, "where the economy's on the upturn".

"Not yet though: we've dropped our house price several times, but it's still not selling."

Given the employment situation, the Spanish predilection for fixed-term contracts – of which there are 41 per cent fewer compared with 2007, and which constitute just 9 per cent of new jobs – has become an obsession.

When 28 positions in Granada's city hall came up, more than 2,000 people applied. Then when nearby Armilla advertised five new jobs in the local police force, there were 250 applicants.

Some industries are thinking laterally. Faced by a drop of 8.7 per cent in foreign tourism in 2009, Spanish tourism, for example, wants to stop relying on its traditional holiday packages. "We need something more sustainable, like gastronomy, rather than selling Andalusia as the land of bullfighting and flamenco," says Maria Jose Senorans, who runs a rural hotel in Cariatiz, Almeria.

"We've already had a big drop in guest numbers" – three million fewer tourists throughout Andalusia in 2009 – "and these are very difficult times".

That's no exaggeration. In 2009 51,000 jobs were lost in Spanish tourism and nearly 1,000 travel agencies closed. As Exceltur, the trade's main association recently put it, "It was a year to forget."

Unfortunately for Spain, 2010 may be, too. Only last week, the IMF predicted that it would be the only G20 nation to remain in recession this year, with economic output at -0.6 per cent.

What the markets now ask about Spain's credibility has ominous similarities to their concerns about Greece: how can Spain simultaneously reduce a public deficit which has plummeted to 11.4 per cent of the GDP and invest enough to get out of the crisis?

Spanish President Jose Luis Zapatero certainly talked the talk in Davos, promising to cut Spain's deficit to 3 per cent of GDP by 2013 in line with EU stability targets.

Just 24 hours later, Zapatero revealed how: a package of austerity measures, including a hike in retirement age to 67, and a reduction in government spending by €50,000m over four years.

Some plans to refill the Spanish treasury's depleted coffers are already in the pipeline. VAT will go up to 18 per cent, and a €400 rebate for taxpayers, one of Zapatero's central promises when re-elected in 2008, has been ditched. As for the unemployment problem, three-way talks between government, trade unions

and businesses will soon discuss making labour markets more flexible and incentives to contract younger workers.

Any hopeful signs? A very few: in autumn 2009, both the number of new companies and the number of new mortgages were up – for the first time in three years.

The Ibex rose by 30 per cent in 2009, too, its second best year of the past decade. And no Spanish bank has actually gone bust.

However, with about one in three of all recent European job losses in Spain, unemployment remains the blackest spot on the country's copybook. The IMF prediction of 0.9 per cent growth in 2011 is hardly encouraging, either.

One unexpected development is a reflowering of rural life, such as in Granada's agricultural green belt, known as La Vega. Local residents say that in 2008 about three of every 10 allotments were cultivated: that number has now tripled.

Not that agriculture per se can fulfil its traditional role as a refuge for Spain's unemployed. In 2009, agriculture's jobless total rose by 29.3 per cent, and in 2008, for the first time ever, its overall debt levels superseded its income.

Granada's return to the allotments first cultivated in Roman times may have a time limit, too, should plans to change the southern half of La Vega into a park by 2012 go ahead. Presumably the local bigwigs think that Spain's crisis will be done and dusted by then. Others are not so hopeful.